



USAID
FROM THE AMERICAN PEOPLE

AFGHANISTAN



Economic Growth

By supporting the Afghan government's efforts to empower the private sector, increase exports, and create jobs, USAID is actively enabling Afghanistan's economic growth, which is critical for the country's long-term security and socio-economic stability. USAID is promoting cross-border trade, working with Afghan financial institutions to provide access to credit, providing technical assistance to strengthen industry value chains, promoting regional/international market access, and advocating for legal and regulatory reforms that attract new domestic and foreign investment.

Major Highlights

- USAID facilitated Afghanistan's accession to the World Trade Organization
- Linking Afghan producers to regional and international markets has led to over \$54 million in sales of high-value products

Recent Highlights

- From 2014-2017, USAID formed 298 public private alliances, which leveraged nearly \$300 million in private investment; 87% of which came from Afghan companies
- In 2016, USAID facilitated the export of more than 11,250 metric tons of horticultural products valued at \$13.4 million
- In 2017, USAID helped Afghan traders negotiate over \$55 million in potential international deals
- Between 2016 and 2017, USAID trained more than 35,000 people in high demand work skills, placing 23,000 with existing companies (36% are women), and creating 17,777 full-time jobs
- USAID supported the Afghan government to implement its World Trade Organization post-accession strategy
- In the first eight months of 2017, USAID promoted air cargo for Afghan exports as a speedy and cost-effective alternative to road transport; working to airlift nearly 2000 tons of goods valued at \$223 million from Kabul to international markets
- By enhancing the technical proficiency of the Ministry of Finance, the Ministry of Commerce, and the Customs Department, USAID has helped increase the amount of revenue collected by the Government of Afghanistan by 21%

Private Sector Development

USAID helps small, and medium-sized businesses, entrepreneurs, and job seekers access much-needed capital, connect to new markets, and acquire new skills. Spurring private sector-led growth is essential to leveraging Afghanistan's World Trade Organization accession; unlocking the potential of industry value chains; capitalizing on Afghanistan's mineral wealth; promoting cross-border trade; and developing reliable, affordable sources of energy.



Export Promotion and Facilitation

USAID works with the Afghan government, private sector, and international partners to formulate laws and policies to support trade, increase exports, promote transparency, and reduce trade barriers. Future interventions aim to help Afghan exporters reconnect to global markets by facilitating private sector access to regional and international markets and ensuring their products meet quality standards.



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ECONOMIC GROWTH

After more than three decades of conflict, Afghanistan's economy is edging towards recovery. According to World Bank data, Afghanistan's GDP is now nearly five times greater than it was in 2002 and GDP per capita has increased by 64% since 2002. Despite these promising signs, Afghanistan continues to face severe economic hurdles and remains one of the world's poorest countries. With the influx of Afghan refugees returning to the country and the nearly 400,000 new job seekers entering the workforce annually according to the World Bank, the already high unemployment rate continues to grow. Insecurity, corruption and limited business enabling infrastructure threaten efforts to establish a thriving economy that attracts investment, promotes trade, creates jobs, and provides much-needed revenue to the Afghan government. Afghanistan is highly dependent on imports, a fact reflected by its large trade deficit (approximately \$7.63 billion in imports and \$700 million in exports according to International Monetary Fund data). This is unsustainable given declining international donor aid and continued large expenditures for the country's police and military forces which substantially reduces funding for economic development

OUR WORK

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PRIVATE SECTOR DEVELOPMENT

USAID helps small, and medium-sized businesses (SME's), entrepreneurs, and job seekers access much-needed capital, connect to new markets, and acquire new skills. Spurring private sector-led growth is essential to leveraging Afghanistan's World Trade Organization accession; unlocking the potential of industry value chains; capitalizing on Afghanistan's mineral wealth; promoting cross-border trade; and developing reliable, affordable sources of energy. USAID is forging new linkages between employers and job seekers, connecting labor market supply with private sector demand. USAID is also improving access to quality technical and business education and training and helping ambitious enterprises access business development opportunities essential for growth. By helping reduce the licensing and registration constraints for businesses, promote private sector-enabling legislation, and improve the efficiency and transparency of the business climate, USAID is helping attract domestic and international investors.

To increase investments by the private sector, USAID is working with the Afghan government's new Private Sector Support Executive Committee to implement private sector-friendly reforms and action plans that will greatly improve the business enabling environment. USAID is also supporting stronger commercial dispute resolution mechanisms, banking standards, commercial debt collection practices, insurance, and loan guarantees to facilitate access to finance.

Since 2009, USAID has strengthened Afghanistan's private sector with management training, market information assistance, and public-private alliance grants. Between 2014 and 2017, USAID created 298 public-private alliances that have generated nearly \$300 million in investment, more than 87 percent of which came from the Afghan businesses with which USAID partnered. These alliances on average achieved a 109 percent increase in sales. USAID's support to financial institutions and SME's through credit guarantees and technical assistance has garnered more than 130,000 loans worth well over \$60 million since 2011. With more than 36 percent of these disbursements going to women-owned businesses, supporting SME's and microbusinesses has proven to be a vital inroad to providing economic empowerment of women.

USAID is working closely with officials from Afghanistan Civil Aviation Authority to design and pilot a special economic zone near Hamid Karzai International Airport that will attract private businesses through the easing of tax and regulatory burdens, the establishment of special financial incentive packages (including tax holidays), and the enforcement of labor and standards compliance. Worldwide, special economic zones have not only proven to be invaluable tools for stimulating domestic and foreign private sector investment, but also serve as effective platforms for the promotion of exports.

EXPORT PROMOTION AND FACILITATION

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USAID is working closely with the Afghanistan Customs Department and the Afghanistan Civil Aviation Authority to establish a One-Stop-Shop at Hamid Karzai International Airport to streamline export procedures and increase transparency of rules, regulations, and processes that will, enable traders to more quickly and easily export high-value products. To develop Afghanistan's air cargo potential, USAID has also been working with airport and customs authorities to work on establishing "corruption-free" customs processes at the same airport for imports. USAID will provide an air cargo feasibility study with the aim of developing a modern air cargo terminal with potential funding secured through public-private partnerships.

USAID is improving the production and quality of high-value exports, including gems and jewelry; carpets; fresh and processed fruits, nuts; and spices. By re-engaging in the minerals sector and working closely with the Afghan government, USAID in close cooperation with the USG interagency, is working with the Afghan Ministry of Mines and Petroleum to assess and exploit the country's world class mineral deposits. USAID will continue to help the Afghanistan Customs Department adopt an e-payment system for customs collection, which will help increase revenues from customs, import duties and taxes on exports. Linking Afghan producers to regional and international markets has already led to over \$54 million in sales of high-value products.

Having successfully helped Afghanistan join the World Trade Organization (WTO) in 2016, USAID continues to support the Afghan government's efforts to implement the WTO accession requirements that will help Afghanistan negotiate trade agreements and facilitate greater exports. Recently, USAID partnered with the US Department of Commerce's Commercial Law Development Program (CLDP) to carry on these WTO activities. CLDP will deliver policy-level assistance to the Afghan government to ensure continued movement towards sustainable and meaningful commercial law and economic policy reforms. This work will also include a partnership with the Ministry of Mines and Petroleum to adopt the regulations, procedures, and transactional documents necessary to realize the vision of developing Afghanistan's natural resources and minerals for the benefit of the nation and its citizens